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time to sell because the fund will likely revert back to its average discount.

Provided we like the style and management of the fund there are several reasons in addition to relative discounts to purchase closed-end funds. Having a fixed number of shares allows for a stable pool of capital whereby the fund manager may remain fully invested if they so choose without having a concern about meeting cash redemptions in falling markets or investing an influx of money in rising markets. CEFs, because of their stable capital structure, are therefore able to invest and benefit from longer-term ideas. Investors have the ability to choose from some of the top money managers in the business. Closed-end funds generally offer investors regular cash flows in the form of monthly or quarterly dividends that are usually more generous than those of mutual funds. CEFs can take advantage of favorable rates allowing the fund to leverage their investment positions through the issuance of debt or borrowed money providing enhanced yield and total return. This of course is a double edge sword and can be detrimental in falling markets. Closed-end funds also have the ability to opportunistically buy back shares when wild deviations from NAV occur. One of the major pitfalls of mutual funds is the fees. Closed-end funds do not incur all of the same ongoing costs that mutual funds do, generally resulting in lower fees, which over time should increase your returns.

In summary, CEFs allow you the potential to invest in stocks or bonds at a discount from NAV. We believe this benefit can provide tremendous long-term value to investors of all ages.

Reminders

- If you mail a check, please make the check payable to "Charles Schwab & Co, Inc." with your account number written on the check.
- Please let us know if you hold any IRA money outside of Schwab so that we may include this into our RMD calculation for 2016.
- Talk to your children about the benefits of starting a Roth IRA.
- SAVE NOW! Please consider setting up online access to view your accounts online and to receive your statements and trade confirmations electronically.

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2016 Spring Newsletter

Blue Bell
PRIVATE WEALTH MANAGEMENT

In this issue

6th Annual For Pete's Sake, Walk!

Have you ever dreamed about crossing home plate at Citizens Bank Park? Here is your chance for you to imagine that you are your favorite Phillies player scoring the winning run of a game!

For Pete's Sake, Walk! is a fun walk at Citizens Bank Park, the home of the Philadelphia Phillies! Perfect for children and grandchildren.

WHEN:
Sunday, April 24th 2016
@ 9:00 AM

WHERE:
Citizens Bank Park
1 Citizens Bank Way,
Philadelphia, PA 19148

Blue Bell PWM will sponsor you.

Please reply by (04/20/2016) with the names, shirt size, and age (of anyone under 12) that will be attending.

A crude first quarter

As we stated in our winter 2015 newsletter, "2016 may be a year of increased volatility than the previous two." This past quarter certainly matched our expectations. For long term investors who check their statements on a quarterly basis, the drop in January of 8.85% in the Russell 2000 index and subsequent rise in March would have gone unnoticed. For some of those who check their accounts daily, the nervous tension became extreme. We also have been speaking about the effects of crude oil prices on the stock market. As of this writing, the market has not decoupled from crude prices with swings of 1-2% daily being the new normal. While this will not last forever, it is certainly concerning for investment professionals and traders. Most feel "cheap oil" is a good thing not only for themselves but also for the U.S. economy. Can cheap oil be "too much of a good thing for our economy?" Recently, Goldman Sachs made some interesting comments about crude oil prices. I feel a few comments on this subject will be beneficial for our clients. "The United States last year produced nearly 10 million barrels of oil per day" making us the second largest oil producer in the world. Why are the negatives of lower oil prices currently more pronounced than the positives received by the consumer? After all, every politician has been touting the advantages of oil independence for many years. Goldman's report points out that the net effects of cheaper crude on growth have been "negative so far." The lift to consumer spending may not have delivered the economic boost many analysts had anticipated. Why? It is estimated that U.S. producers would need oil prices somewhere within a range of $45-$80 to just break even. No matter how many barrels an energy company produces, if their cost to produce is $50 per barrel, it doesn't matter how many barrels they produce if oil is selling at $40. Simply put, if they lose $10 per barrel produced, no company can be in business for long. This is the huge problem we have been concerned about for the past 2 years. Given these numbers, it is no wonder Standard & Poor's warned that 50% of all energy companies' bonds are now considered distressed or junk bonds. But while many of these are distressed or junk, S&P believes $180 billion, a startling amount of debt, falls into this category. Already, 50 or more different oil and gas companies have filed for bankruptcy in 2016. While there are many other factors, hopefully this explains the correlation between stocks and oil. Like many negatives in the past, this won't last forever, and is a hurdle the markets must jump before volatility and consumer confidence declines.

The markets have recently staged an impressive rally. Much of this rally, in our opinion, was caused by the rather dovish comments on interest rates from Federal Reserve chairman Janet Yellen. With the presidential election on everyone's mind, the last thing the incumbent party wants is a major recession. The Federal Reserve is very likely to remain cautious on interest rate increases and unlikely to increase rates in the near future. In the short term, low interest rates are a positive. However, the long-term implications are concerning. The next president will face unprecedented economic challenges when assuming the office in January. How these problems are dealt with will have major implications for our families' futures. This likely explains the low trust most Americans have in their elected officials.

Some things to consider as we move forward include, but are not lim-

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A big down move may not be so bad...

“Bespoke Investments looked at years when the S&P 500 saw 10%-plus moves to the upside and downside in the first quarter.”

“In order to make the list, the S&P 500 had to have dropped 10%+ from a closing high and rallied 10%+ from a closing low at some point in the first quarter,” said Bespoke.

“The S&P 500 qualified with that 10% drop earlier in the first quarter of 2016, which was followed by a bounce of 12.2% maximum as the market recovered from that low.

The best news from the Bespoke research is that the S&P 500 has delivered above average returns for the rest of the year, on average, after this kind of first-quarter action. And it’s an even better result when that first big 10%-plus move has been to the downside.”

The encouraging takeaway from this, said Bespoke, is that the rebound since those February lows could “at least serve as a solid foundation for a respectable performance” for the rest of the year.

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ited to: the devastating impact low interest rates have on retirees, the possibility of another housing bubble fueled by low rates, excess government borrowing and spending, the long term impact on our dollar, the debt service cost to the United States in the future, rapidly expanding entitlement costs, oil company bankruptcy, need for increased defense spending, as well as the impact of a very week worldwide economy. Increased tax burden on working Americans will be the greatest challenge of all.

For those of us who met in February, our theme was the investment vehicles we have been using were acting exactly as expected. I feel it is important that our clients understand the relationship between our investments and market movements. As I am sure you are aware, closed-end funds, structured investments, buffered return notes, ETFs, and option strategies should produce very acceptable risk adjusted returns.

I feel it is well worth your time to visit, contact us, or attend a webinar to learn more about our investment style. We all appreciate the confidence you place with Blue Bell Private Wealth management and look forward to speaking with you in the future. Thank you!

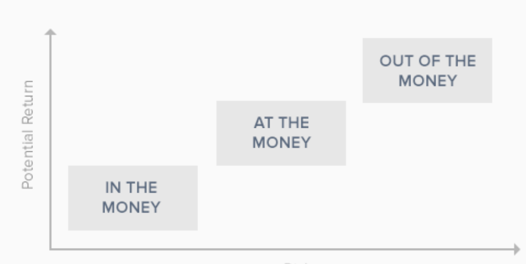
One investment strategy for greater income and less risk

One of the goals at Blue Bell Private Wealth Management is minimizing risk while achieving market returns. For investors looking to reduce risk and increase income, covered call option writing may work well within existing equity portfolios. This strategy may achieve market returns with less risk than the average mutual fund investor. Covered call writing is an option strategy in which call options are sold on stocks or ETFs that are owned within a portfolio. A call option is a contract that gives the holder of the option the right, but not the obligation, to purchase the underlying security at a specified price for a fixed period of time. The writer receives a premium for the option and then has an obligation to sell the underlying security at the strike price if the option buyer exercises the option. If the seller of the call option owns the underlying shares, the option is considered "covered" because the seller has the ability to deliver the shares without having to go out and purchase them in the open market. If the buyer does not exercise the option the seller profits from the premium.

There are generally three strategies when writing covered calls. These strategies consist of writing at the money (ATM), in the money (ITM), and out of the money (OTM) call options.

ATM covered call writing is when an investor sells an option with a strike at the current price of the underlying security. In this strategy, the maximum gain is the amount that is received from the premium plus any dividends received from the underlying security. When an investor sells an option with a strike that is lower than the current price of the security it is considered ITM covered call writing. The further in the money, the more conservative the strategy is; however, upside is decreased accordingly. Conversely, OTM covered call writing is a strategy in which an investor sells an option with a strike higher than the current price of the security. This type of investor will profit in the initial upside movement of the stock. The maximum gain is the premium plus the difference between the strike and the current value plus any dividends.

There are several advantages and disadvantages to covered call writing. The premium received from writing call options serves as downside protection, income, and returns with reduced risk. Should the investment decrease in value, a covered call writer does not begin to lose principal until the decline in the investment is greater than the premium received. Still any loss using covered call writing will be less than simply owning the investment. If the investment does not move then you would keep the premium. However, a covered call will have limited profitability if the investment increases because the option writer is required to sell the investment at the strike price. If the investment appreciates substantially you may forgo some gains you would have had if you did not write the call.



All three Strategies reduce risk vs. holding the underlying. Not only do they reduce risk but there are many market conditions where they provide greater returns.

New Rules for Social Security

New rules for filing for Social Security as of January 1, 2016

Restricted Application/Free Spousal Benefit : *Available only for anyone born before January 1, 1954*

New rules for Social Security will make this strategy available only for anyone born before January 1, 1954. The restricted application strategy allows a worker who has reached full retirement age to file a restricted application with the Social Security Administration where they only apply to receive spousal benefits. This allows the primary beneficiary to have their retirement benefits grow at 8 percent while their spouse receives their spousal benefit. Filing a restricted application can be advantageous for couples depending on the age of each person. If the spouse that will be collecting benefits is over the full retirement age (66), that person will receive 50% of the primary beneficiary’s retirement benefit and have the option to switch over to their full retirement benefit at a later age. If someone were to take their spousal benefit before reaching full retirement age, they will be considered to have taken their own retirement benefit and will be locked in at a permanently lower benefit.

File & Suspend : *Eliminated in last budget*

Social Security allow for a person who has reached full retirement age (66) to file to receive their social security benefits then immediately suspend receiving those benefits while allowing their spouse to collect dependent benefits. This allows for the primary filer’s benefit to “roll up” at 8 percent per year. The file and suspend strategy is advantageous because under current law, a spouse is unable to claim benefits unless the main beneficiary claims benefits first. This strategy allows for the primary filer’s benefits to continue to grow at the 8% rate while their dependent/spouse can begin to receive benefits. This is potentially useful for couples where one person has reached full retirement age and they have a high spousal benefit. New rules for Social Security are eliminating the ability to do this and a person must apply before 4/30/16 or they will not be able to benefits use this strategy.

Date of Birth	Filing Strategy
Prior to 4/30/1950 (Over 66)	File & Suspend before 4/30/16
Prior to 1/1/1954 (Turned 62 in 2015)	Restricted Application/Free Spousal Benefit

We like to pay 85¢ for $1

Our statement may seem too good to be true. You may say, “No one would give me $1 for 85 cents.” Allow us to introduce you to closed-end funds (CEFs).

A closed-end fund is a publicly traded investment company that invests in a variety of securities, such as stocks or bonds, just like the more common mutual fund you surely have heard of. The reason behind the name is because unlike open-end (mutual) funds, which are free to issue and redeem shares on demand, CEFs raise a fixed amount of capital through a process known as an Initial Public Offering (IPO). We never recommend purchasing a CEF at its IPO. Once this capital is raised, the fund is closed to new investors and must be purchased in the secondary market.

A mutual fund is bought and sold based on its net asset value (NAV) which is determined at the close of each business day. Closed-end funds however are bought and sold on exchanges throughout the day where their price is determined by investor supply and demand as well as NAV. The market price is based on many factors such as the type of investments the fund holds, performance, overall market conditions, investor appetite for risk, and distribution rates among others. This price is usually different than the fund’s NAV. If this deviation happens to fall below the NAV, it is considered a discounted rate; in contrast, if it rises above, it is considered a premium. Thus, you may have an opportunity to buy $1 worth of a CEF for 85 cents. Investors purchasing CEFs at discounts have various opportunities to make money: First, if the discount narrows over time, and second, if the market price increases in value. Lastly, special situations such as tender offers, rights offerings, or closed-end fund activism, if handled correctly, provide investors opportunities for substantial gains. An important note to remember is that a CEF may trade at a discount forever. The goal though is to purchase the fund at a greater relative discount. For example, a fund may have traded at a 15% discount for the past three years. If that fund was to suddenly increase to a 20% discount this would indicate a greater relative discount all things being equal. The same is true for possible selling opportunities. If the same fund, over the same time has traded at a 15% discount and now decreases to a 10% discount, with all things being equal, it may be a good

> *“The goal though is to purchase the fund at a greater relative discount.”*

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